

Conformed

SECURITIES & EXCHANGE COMMISSION

Washington, D. C.

FORM 9-K

SEMI-ANNUAL REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

GENERAL ANILINE & FILM CORPORATION

(Exact name of registrant as specified in charter)

230 Park Avenue, New York 17, N.Y.

(Address of Registrant's principal executive offices)

G289721

G-I_EPA0019190

GENERAL ANILINE & FILM CORPORATION
and Subsidiary Companies

Consolidated earnings of General Aniline & Film Corporation and subsidiary companies for the six months ended June 30, 1958 and 1957 are reported as follows:

Profit and Loss and Earned Surplus Information

ATTACHED HERETO AS EXHIBIT A IS STATEMENT OF
CONSOLIDATED EARNINGS WHICH WAS PUBLISHED AND
MADE AVAILABLE TO STOCKHOLDERS

GENERAL ANILINE & FILM CORPORATION

Date August 14, 1958

By

F. A. Gibbons

F. A. Gibbons
Executive Vice President

G289722

G-I_EPA0019191

EXHIBIT A

gaf

Interim Report

Six Months Ended June 30, 1958

TO STOCKHOLDERS:

Net sales for the first half of 1958 totaled \$67,695,000, compared with \$67,866,000 in the same period of 1957.

Net income after taxes amounted to \$1,849,000, equal to \$2.32 per Common A share. For the comparable period last year, net income was \$2,265,000, or \$2.84 per share of Common A stock.

On the whole, as the figures show, there was no substantial change in the volume of sales. Dyestuff and Chemical Division sales were slightly improved largely offsetting minor decreases in the other divisions.

The decrease in net earnings is the result of a number of factors. Principally, these were higher selling and distribution costs, plus start-up expenses in the new ethylene-oxide plant at Linden, New Jersey.

Both sales and profits showed improvement in the second quarter over the results of the January-March period.

On June 16, 1958, the United States Supreme Court remanded the "Interhandel" suit to the U. S. District Court for further consideration. This action has caused a further delay in the sale of the Government-held shares of the Company.

JOHN HILLDRING
President

August 1, 1958

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G-I_EPA0019192

GENERAL ANILINE & FILM CORPORATION
and Subsidiary Companies

Statement of Consolidated Earnings

Consolidated earnings of General Aniline & Film Corporation and subsidiary companies for the first six months 1958 and 1957 are reported as follows:

	<i>First Six Months</i>	
	1958	1957
	(in thousands of dollars)	
Net Sales	\$67,695	\$67,866
Income on Securities — Net	230	330
Total	<u>67,925</u>	<u>68,196</u>
Cost and Expenses:		
Cost of products sold	45,826	45,738
Other distribution and selling expenses	11,983	11,529
Research and development expenses	2,961	3,059
Administrative and general expenses	2,409	2,281
Interest on borrowed capital	528	549
Other deductions or (income) — net	168	106
Total	<u>63,875</u>	<u>63,262</u>
Earnings before Federal Taxes on Income	4,050	4,934
Provision for Federal Income Taxes	2,201	2,669
Net Earnings for Six Months	<u>\$ 1,849</u>	<u>\$ 2,265</u>
Per share of Common A stock	\$ 2.32	\$ 2.84
Per share of Common B stock232	.284
Provision for depreciation charges to cost and expense	<u>\$ 2,701</u>	<u>\$ 2,513</u>

The foregoing 1958 statement is subject to year-end adjustments and review by independent public accountants.

Conformed

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(Exact name of registrant as specified in charter)

230 Park Avenue, New York 17, N.Y.
(Address of Registrant's principal executive offices)

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G-I_EPA0019194

GENERAL ANILINE & FILM CORPORATION
and Subsidiary Companies

Consolidated earnings of General Aniline & Film Corporation and subsidiary companies for the six months ended June 30, 1958 and 1957 are reported as follows:

Profit and Loss and Earned Surplus Information

ATTACHED HERETO AS EXHIBIT A IS STATEMENT OF
CONSOLIDATED EARNINGS WHICH WAS PUBLISHED AND
MADE AVAILABLE TO STOCKHOLDERS

GENERAL ANILINE & FILM CORPORATION

Date August 14, 1958

By

/s/ F. A. Gibbons

F. A. Gibbons
Executive Vice President

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G-I_EPA0019195

GENERAL ANILINE & FILM CORPORATION
and Subsidiary Companies

Statement of Consolidated Earnings

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	<i>First Six Months</i>	
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	(in thousands of dollars)	
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The foregoing 1958 statement is subject to year-end adjustments and review by independent public accountants.

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INTEROFFICE CORRESPONDENCE
General Aniline & Film Corp.

July 30, 1957

TO: Mr. F. A. Gibbons
Dr. L. F. Eckler
Mr. P. M. Dinkins
Mr. W. A. Hensel
Dr. F. M. Meigs

FROM: John Hilldring
230 Park Avenue

SUBJECT: European Trip 1957

CC: Mr. H. L. Abrons Mr. C. J. Hyland
Mr. R. M. Bukaty Mr. G. E. Neisser
Mr. H. W. Coughlin Mr. A. P. Rimlinger
Mr. Faurest Davis Mr. W. G. Wilson
Mr. M. M. Gouger Mr. A. J. Young
Mr. A. E. Hendershot

I. EUROPEAN COMMON MARKET

1. General

The most interesting and important economic event of the year, and perhaps of the century so far as Europe is concerned, is the agreement entered into by seven western European nations to establish a "Common Market".

I shall devote more space to the Common Market than to any other single item in my report just as I spent more time inquiring into this subject than I did any other.

Reams have been written about the Common Market in the past few months, and I have read, I believe, most of it. The literature that I have seen explains -- at times in great detail, the official objectives and purposes of the Common Market, and what it hopes to achieve in bettering the economy of the member nations. In most everything I have read, however, there have been two notable omissions, namely:

- a. What will the Common Market achieve in addition to the official and agreed objectives, and particularly,
- b. What implications has the Common Market got for United States industry.

I shall in my report describe only briefly what the Common Market is and how in general it is proposed to operate, and in more detail I shall record the information I have accumulated on the more obscure purposes of the agreement, and on the effects which the Common Market is likely to have on our American economy.

2. The Common Market, Its Dimensions and Probable Future Size.

Many Europeans I have talked to and several otherwise well-informed Americans are confused about what a Common Market really is. Quite

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often you are told it is simply a customs union, such as has existed in Benelux for some years, extended to the whole of Europe. This is not so, at all.

A Common Market is a customs and economic union. The object is to bring about a unified market completely unaffected on the one hand by barriers to the movement of goods between them and on the other hand presenting exactly the same barriers to the importation of goods into the common market from the outside. Taken to its logical and expressed conclusion this concept requires the policies of the countries making up the Common Market to be brought into harmony, not merely on the matter of tariffs, but also to a considerable degree in the whole field of economic, financial and social policy. Inextricably involved in the evolution of the Common Market is a common currency and political union -- down the road of course and probably beyond our time.

The founding states of the European Common Market are Germany, France, Italy, The United Kingdom and Benelux with a population of 212 million.

Almost certain to join in the next year or so are the Scandinavian countries, Austria and Switzerland with another 28 million people.

The idea of participating in the Common Market is under very brisk current discussion in Finland, Greece, Ireland, Iceland, Portugal, Spain and Turkey. Some of these nations will join the Market and all of them might. Their total population is in the order of 60 millions.

It can be seen therefore that the Common Market will represent and serve a population somewhere between 212 and 300 million people.

3. Plan and Purpose

The elimination of restrictions to trade between the member countries is to be accomplished by several devices both positive and negative in nature. Tariff walls inside the market will be gradually lowered with the hope that in twelve or fifteen years they will have been completely abolished. Export and import quotas, export and import licenses, trade agreements and trade preferences, taxes on imports, subsidies on exports and all other similar current devices to restrict trade, or to artificially inflate it, will be abolished and prohibited so far as the flow of goods is concerned from one member nation to the other.

On the other hand all of the members have agreed to impose identical, and presumably rather high tariffs, against the goods of non-member nations. Under this provision the tariffs of Germany and the Benelux countries will be considerably increased and French and Italian tariffs will presumably be slightly reduced. In any case they will all present the same tariff wall to the outside world.

Except for a common currency, goods will move within the Common Market as easily as they do now within the American union.

The announced purpose of the Common Market is to make possible and practical a high and happy standard of living for the several million people who inhabit the countries participating in the economic union, and this purpose will unquestionably be achieved in reasonable degree. However, my principal interest has been to learn two things, how in general this objective is to be achieved and whether the founders of the Common Market have a second purpose. On the first issue, the answer is simple. The purpose will be achieved almost exclusively by improving agricultural and industrial efficiency. There are apparently to be no laggards in the new order and there is to be no one around to see to it that the lazy, or the inefficient, or the small business man survives.

I was told in England that the first order of business would be the selection of a production center or production centers where a given product can be produced at maximum efficiency and minimum cost.

Not knowing at the moment what else to say, I asked: "Can there be more than one production center for any one product?"

"Oh yes", he replied. "There can be any number, provided they work in harmony." Rephrasing this remark in terms of our Sherman Act he meant of course "in complete collusion".

I have pursued this point at some length because the Common Market Agreement prohibits cartels and combinations in restraint of trade. And I may have found the answer. At least I have found a half-dozen well-informed Europeans who tell me the same thing. Cartels, consortiums or combinations initiated by industrial leaders, or by a government or even by a combination of several governments within the Common Market will not be permitted. I am told, however, that there certainly can be no objection to any arrangement, consistent with European custom and practice, which is agreed upon by the Highest Councils of the Common Market as being in the interest of all members -- provided always of course that no Gargantuan monopolies are thereby created.

Somewhere within the boundaries of this philosophy and attitude lie the plan and the real attractiveness and the real strength of the coming Common Market. To many Americans the statement of my informants may be labeled as double talk, but it isn't double talk at all.

An analysis of the chemical industry of Europe will exemplify what the Europeans have in mind. Ten years ago, the Allied administrators in Germany were very proud of their accomplishments in what they called the decartelization of I. G. Farben. They broke it up into several separate and independent units, three large and a number of smaller segments. Even now I sometimes

read a boast emanating from Washington about this historic achievement. And the Germans are just as proud of the independent units of their chemical industry as are the American bureaucrats. However, what actually has been accomplished? Germany has independent chemical companies, that's true, but each is operating in an entirely different and separate field. There is practically no competition at all between them, and there isn't going to be. When I was in Germany this year I asked the managing director of one of the large chemical companies why while he was on a buying spree in the United States he had not purchased a certain American company which is creaking and troublesome. He couldn't do that, he told me, because it made products in the field of one of his German "competitors". He used the word competitor in all sincerity -- without a smile. "I figure", he told me, "if I stay out of _____'s territory, he will stay out of mine." In short, to the German mind, and the European mind, there is no longer a chemical cartel in Germany. The fact that there isn't any competition either doesn't bother anyone. It doesn't even occur to them.

But I don't want to be unfair to Germany. If I.C.I. isn't a bona fide monopoly, I never saw one. In France Francolor, Kuhlman and a few other giants divide the market with minimal competition. Italy has a similar cozy arrangement.

Anyone who believes that with the advent of the Common Market there is going to be a battle to the death between these Goliaths in order to give the people of the member nations the best possible products of chemistry at the lowest possible price, just doesn't know the gentlemen who are going to put the Common Market together and to operate it, and simply does not understand the mentality of the European industrialist or politician.

4. Implications for The United States.

From a political point of view the Common Market has great importance to our country because it will impart enormous economic strength to the democratic nations of Western Europe. To Industrial America the Common Market imposes a threat of vast dimensions.

As I have stated in reports from Europe in previous years, control of world trade which passed into the hands of Americans during and after the war has in the last five years returned to Europe. Washington and New York are no longer important centers in world trade. Today this control emanates from London, Amsterdam, Frankfurt and Zurich. What has brought this about so quickly? Two things:

- a) Necessity; the absolute necessity to export, and
- b) The monopolistic economies of European nations.

It is beside the point in this report to compare U. S. competitive free enterprise with the non-competitive systems of Europe. And it betokens no lack of faith on my part in our competitive free enterprise for me to point out the superiority of the European system in the conquest of world trade.

It happens several times on each visit, and it always amuses me to have a European friend -- who wishes to flatter me, tell me that GDC quality and the GDC pricebook are the standards of the dyestuff business the world over. This is probably true but it disregards the fact that European dye producers do not publish price lists, and are not going to do so. When you mention this important fact, the answer is always the same: "Well, our situation is somewhat different from yours." A true rejoinder would be that their prices are different in every market. The price is pegged at a point where the business can be taken in any given market, and the concessions thus made are compensated for in a suitable upward adjustment of prices in the home market, or by a government subsidy, or both. There isn't anything fixed and irrevocable about this arrangement. Prices can slide up and down at will to meet the demands and emergencies of the day, and of course the opportunities.

The effectiveness of such an economic organization in pushing trade into the four corners of the world is self-evident. The strength of western Europe in accomplishing miraculous results in its foreign trade once it has its vast industrial potential harnessed and directed by the machinery of the Common Market is not difficult to measure. The effort of the American businessman no matter how big he is, in pushing the goods he makes in the United States across the counter in India, Brazil or Africa in competition with products flowing from the European Common Market is going to be, I am afraid, a feeble and heart-breaking business. What he can sell inside the Common Market to 200 or 300 million customers -- once it is established and rolling, you can put in your eye.

5. Will the United Kingdom Join the Common Market.

At the moment the U. K. adheres to, but is not a full-fledged member of the Common Market because of problems it has with Commonwealth preferences. Everyone I talked to in England told me to take it for granted that the British Isles would join, would have to join and that Commonwealth preferences would be trimmed and moulded to whatever extent is necessary. To contend to the contrary in my opinion is as sensible as to argue that the U. S. Supreme Court will go back to interpreting the law, come October 1st.

6. Will the Common Market be Approved.

On the question of ratification only France is in doubt, according to my informants, and as to France I personally have little doubt that adherence to the Common Market will come quickly and with a large majority vote in parliament. Bourges-Maunoury, who is perhaps the most unpopular premier France has had since the War, has withstood several tests of confidence be-

cause of his strong support of the Common Market. Several parties who disagree with him on every other issue support him on tests of strength because of his stand on the Common Market. Oddly enough, this is the position of his own party, the Radical-Socialists.

In the other countries the issue is clear. The Common Market will be approved in all other parliaments quickly and overwhelmingly.

7. When Will the Common Market Begin to Operate?

This is difficult to say in terms of years and months, but I think we can assume, and should assume that the ten or fifteen year period presently talked about is on the high side.

I remember what Jean Monnet told me six or seven years ago about the European Coal and Steel Authority. Around 1950 I asked him whether "The Authority" would be approved, and he answered: "Yes. Yes it will be approved largely because those who are inclined to disagree firmly believe that it will take us a hundred years to get it going, if we ever do." Now a few years later the Coal and Steel Authority is an accomplished and successful fact. If anyone wants to observe a European Common Market in miniature the Coal and Steel Authority is here to look at.

Some elements of the Common Market may come into being quickly, and I have a hunch that the chemical section will be one of these elements. Chemicals is certainly going to be one of the easiest to organize, just as agricultural products will be one of the most difficult.

8. What Should We, General Aniline, Do About It?

I don't feel that any conclusions or recommendations are called for. It seems to me that the answers are clear, but I shall state some conclusions by quoting a friend.

I ran into Sidney Moody* in London. He has been in Europe since early in April for the primary purpose of studying the Common Market. The night before I talked to him he had finished a report to his home office on this subject. In brief, his conclusions were:

- a) The time has come, and cannot be postponed, for American Cyanamid to decide whether or not it wishes to conduct an international business. He was not referring to the more

* For the benefit of people in the company who are not acquainted with the dyestuff business, Sid Moody is a vice president of American Cyanamid, who for many years was general manager of Calco, a division of American Cyanamid. For three terms he was president of SOCMA. For the past several years he has been engaged in a special mission for the president of his company in regard to the foreign business of Cyanamid.

or less frivolous approach which his company has taken since the war. The day for that method of carrying on foreign trade is, in Moody's opinion, drawing to a close.

- b) If the answer to a) is yes, if Cyanamid really wants a foreign business, it must decide now to enter into manufacture in Europe. (Countries preferred by Moody were England, Holland and Germany. He felt less kindly toward France and Italy.)
- c. Cyanamid must be prepared to spend money, considerable sums of money in getting these plants built -- in the usual case, he thought, in cooperation with Europeans.

I could not say it better.

If in the years ahead General Aniline wishes to be in a satisfactory position to sell its products to the two billion people who inhabit the earth, it can do so from manufacturing facilities in Europe, if it has them. If it has not exercised this foresight, if it does not right now begin to establish these bases in Europe, it will in my opinion have to content itself very largely with such customers as it can find inside the United States.

FOOTNOTE:

My comments on the Common Market are not and are not intended to be a well-balanced or complete discussion of the subject. My purpose has been solely to indicate what implications the Common Market holds for GAF -- with only, I feel, a permissible degree of editorial license.

II. GENERAL COMMENTS

9. Germany

For the last three or four years I have felt compelled in each of the reports I have prepared on my European trips to comment on Germany's amazing economic progress. I must do so again this year.

I have found two new terms in common usage this summer in Europe. One of these is the separation of all people in Europe into two groups, "Europeans" (those who favor the Common Market) and "Nationalists" (those who do not). The other expression, and one hears it from London to Zurich, is "The Miracle of Germany".

Germany is really a booming country. In the last year it has felt strong enough to bargain with labor and to set somewhat higher executive salaries. This has had some inflationary consequences but the over-all result has been enormously beneficial. Goods of all kinds are plentiful,

the roads are packed with cars and a plethora of two-wheeled vehicles, and the morale of the population is excellent. A year ago people worked hard but were a little gloomy at all levels in regard to the share they were getting from an obviously prosperous economy. This year they are working even harder and all tension and dissatisfaction seem to have disappeared. The problem of conscription which was very troublesome a year ago has been solved. And there was some irritation with the United States about its interference with Germany's desire to expand its trade with the East. I have heard no complaints on this score this year. There is one remaining pressing problem, of course, and that is the unification of the country, but even on this issue there seems to be less heat and a larger measure of agreement than heretofore. The debate has centered around the price that Russia would exact and that Germany should pay to get Eastern Germany back. I am told that Adenauer has very largely convinced his people that time is in Germany's favor and that Germany should wait until the price is reasonable. Many Germans have feared that the Communists would as time went on so dominate the thinking of German youth in the Eastern Zone that they would lose their zeal to be reunited. The uprising in Hungary which was instigated by the youngsters and the unrest in Poland have done much to alter the opinion of Germans in this regard.

There is probably some doubt in the minds of Americans who understand the industrial organization of Germany, and misconceptions in the minds of those who do not, about the meaning of the anti-trust laws which were passed by the Reichstag last week. There were certainly doubts in my mind.

German and Swiss friends seemed most surprised that an adult American should have to ask questions about the meaning of the new law. Its meaning should be obvious, they think. The German Government is determined that there shall be no return to enormous trusts like Farben and Krupp, certainly not for a very long time. It is equally certain, it seems to me, that there is going to be no change to a competitive free enterprise system such as we have in the United States, certainly not for a very long time. The present "non-competitive free enterprise" arrangement which in ten years has brought Germany from the ashes of defeat to the highest era of prosperity in its history is too precious to tamper with - much. At least so I am told on every hand.

10. Switzerland

My comments on the Common Market had been completed and sent to New York for typing before I arrived in Switzerland. I was not able therefore to include in them some interesting remarks by Dr. A. Wilhelm*. He expressed the hope and confidence that the Swiss Government would subscribe

* Dr. Wilhelm is President of Durand & Huguenin, Executive Vice President of Ciba and President of the Swiss Chemical Society.

to the articles of the European Common Market, but he added that you could never be sure of Switzerland in such matters. He reminded Williams and me that in the last four or five hundred years Helvetia had not been much of a joiner.

But whatever his country did, Wilhelm derived much comfort from the fact that Ciba was already a member of the Common Market in good standing. He pointed out that his company had large plants in Germany, Italy and England (as well as the United States) and was in a fairly good position to participate in the boundless benefits which the Common Market would bring to European manufacturers.

The detailed report of my visit with Dr. Wilhelm is being prepared by Dr. Williams and will be given a special distribution. However, Dr. Wilhelm made another comment which should be reported here, because it has some relationship to the Common Market. We were riding through Basle when I remarked about the large number of well-known chemical companies that nestle in this attractive Swiss valley. It was then that Dr. Wilhelm stated that the chemical family of Basle was a happy one. It was, he added, a fortuitous and gratifying circumstance that each of these companies had its own special talents, interests, and fields of endeavor. Harmony prevailed, conflict was unusual and the ability of the Swiss chemical companies to export their products enormously enhanced thereby. To all of which I believe the obvious word is: Amen!

On previous visits to Bern I have had interesting and somewhat complete discussions of GAF and its eventual ownership with Miss Willis, who until recently was U. S. Ambassador to Switzerland. She had a great interest in this subject.

I found that our present head of mission, Ambassador Henry J. Taylor, has the point of view that the affairs of Interhandel and the intervenors is no proper business of the U. S. Embassy, and that he intends to let these matters be handled exclusively in Washington, which I told Mr. Taylor was quite a comforting attitude of mind to me.

I wish to express my satisfaction with the fact that Drs. Moessinger and Williams and Mr. Michaelis are basing their operations on Zurich. It may not be the only spot in Europe from which their activities might be adequately conducted, but from all points of view (geography, facilities and atmosphere), I am confident that there is no better place on the European continent.

III. SPECIFIC COMMENTS

11. Organization

Two steps have been taken in Europe since last summer, one forward step and one step to the rear, about both of which I shall comment.

The forward step was the assignment of Dr. Moessinger to Europe in the double role of liaison officer with our distributors and with Anilitalia (formerly GASSA). The backward step is the unexpected deterioration of our relationship with our European distributors. To me, in any case, it is an unexpected and sad development.

Two considerations in connection with Dr. Moessinger's arrival in Europe are strikingly clear, one the universal acceptance of him by all of our distributors as a wise, friendly and forceful man and, second, the remarkable rapidity with which he has developed a grasp of our European problems.

I want to devote one paragraph to the quality in Dr. Moessinger that our distributors most admire, because it will be the central theme of my comments about the state of our business today in Europe. Our associates in Europe respect Dr. Moessinger as a man and have confidence in his integrity. I have lost count of the number who have said to me in the last five weeks: "I am happy that you sent a European." Of course, Moessinger is not a European. He is an American, though he was born and raised in Switzerland. What they have been trying to tell me is that Charley is a gentleman and that he treats them courteously, and this in spite of the fact that he has been with nearly all of them at times -- so they say, and I am sure of it -- critical and hard-hitting.

Dr. Moessinger's assignment to Europe was the first preliminary step to the establishment of a branch of the Foreign Department in Europe. I do not feel that the time is ripe or that we have yet developed sufficient business there to put the European office in the chain of authority between the Foreign Department and our European distributors. But there are two things we should do now. We should give Dr. Moessinger a status which will permit him to be of maximum usefulness, and we should take such preliminary steps as are possible and suitable looking toward the establishment of a European office. As a minimum:

- a) He should be regularly and systematically informed of all policy matters under consideration at home which have any bearing on our European business.
- b) No policy decisions should be made relating to this area or having an effect upon it without prior consultation with Dr. Moessinger.
- c) It is both fitting and desirable that the divisions should have an interest in the welfare of our overseas operations. I have encouraged such interest, and I shall continue to do so. However, it is confusing and disorderly for the divisions to carry on business discussions around the flank of the Foreign Department and without the knowledge of Dr. Moessinger. It may at times be proper, in fact preferable, for certain activities (for instance, technical assistance) to be managed

by the divisions and to have the divisions communicate on these matters directly with the distributors. But in all such dealings, the Foreign Department and Dr. Moessinger must approve these direct approaches in advance. In spite of my long association with Foreign Operations and my many friends and acquaintances among our foreign associates, I adhere to this rule scrupulously myself, and it is not unreasonable, in my opinion, to expect other executives in the Company to do likewise.

- d) Dr. Moessinger has excellent ideas, but if we are to get any benefit from them, we must give them careful and prompt consideration, and if we approve of them, act on them. Whether we approve or not, we must respond decisively and promptly. In our foreign business we are engaged primarily in a fight against time and space. What good does it do to deploy our inventories in ten or twelve stockpiles around the world and adopt other difficult and expensive devices to bring us closer to our officials abroad and to our foreign distributors and customers, if we don't answer our mail, or answer it only at some distant date when it is comfortable and convenient for us to do so?

I have not had the time during my visit in Europe to study, even to read, all of the reports that Moessinger has prepared. But I have seen one of them which in my opinion has tremendous merit (Report No. 51, dated May 27) relating to dyestuff sales. I quote below two short paragraphs from #51:

"(A) We will need to help our distributors with:

1. Adequate color cards
2. Better showings on new products
3. More technical information
4. Quick and adequate answers to complaints and requests.

"(B) On the other hand, our distributors will have to be more strictly controlled in regard to what they should sell, and some of them will have to do real selling jobs instead of being merely order-takers. They should also have to buy from us dyes which they now purchase elsewhere or do not sell because their ratio of profit is too small."

Moessinger reports some interesting figures. In 1956, Switzerland's dye sales in France, Italy, Belgium, Luxembourg, Holland and England amounted to 18.3 million dollars. In the same year, GAF sold in these same countries \$530,000-worth of dyestuffs, about 3% of the Swiss sales. Swiss labor costs are high. It has no raw materials and almost no domestic market. Naturally, the cost of the finished product is high, higher than in the U. S. Nevertheless, its products cover Europe like a blanket. The unfavorable balance of accomplishments on our side,

according to Moessinger, is traceable to our distributors, and I agree with him.

One of his suggestions is excellent: Give the distributors a quota. In the beginning, double their '56 sales, or 6% of what the Swiss are doing. Moessinger thinks he can get them to agree to such an arrangement without too much trouble, and by all means we should tell Dr. Moessinger to proceed.

When I talked to him in the middle of July, he had received no response to this suggestion.

I do not mean that we should accept everything that Moessinger suggests willy-nilly. I note that he is again taking pot shots at our accounting system, which he has been doing for many years without convincing me. But even on this score there is considerable merit and validity in his contention that when a plant is operating at one-third of capacity, which is our situation at present in dyestuffs, there is more to fixing the price of a product than adding together the cost of material, labor and overhead.

12. Distributors

Our foreign business is growing. Each year the sales and profits are increased over the preceding year. In 1957 we are ahead of budget. This is true in Europe as well as in the over-all picture. For all of these things, management should be congratulated. It is certainly true that our foreign sales are a dependable and satisfactory asset of our business, and I do not wish to give the impression that our foreign operation is unsound or unsatisfactory. On the other hand, I would be derelict if I did not record the opinion that it should be better, and that it would be better if our relationship with our European distributors were on a higher plane. There is room for considerable improvement in the service we are giving our overseas representatives, and because the service is not as good as it should be I cannot report the conclusion that we are making the most of our opportunities in the European market. In one way or another and to a varying degree, all sections of the foreign operations are deficient in this regard.

The central fault lies in our attitude toward the distributor. We have the tendency to treat him as the head of a subordinate echelon in some sort of an imperious and authoritarian syndicate. The truth about our relationship is that we need him more than he needs us. The strength of our foreign business is the sum total of the competence of our distributors and the good will they bear us. It is not in our interest to assume toward them the posture of a drill sergeant.

Two other practices have widened the breach between us:

- a) Lack of promptness in answering cables and letters,
- b) Unbelievable tardiness in filling orders.

13. Details

Listed below are some of the ideas, suggestions and complaints of our distributors as I uncovered them. The list is not complete. I have selected only the major ones:

a. British Ozalid

Hewson is angling to get Kalle to purchase a 10% interest in his firm, and he said to me that he would like GAF to take a like or a larger participation. I expressed the thought that this might present some difficulties for us, which I admit is an understatement that would do credit to a Britisher.

I found in my European travels that the British Ozalid machines do not enjoy a very high reputation, despite the licenses and other help that we have given and are giving them.

Regardless of whether we purchase stock in British Ozalid, Hewson would like us to decide to manufacture our machines for the European market in his plant.

b. Fine Dyestuffs & Chemicals

I am quoting below a note I sent to Mr. Gibbons from London:

"As I told you before I left I am more interested in The European Common Market than anything else right now, and even here at my first stop I see and feel the influence of this arrangement on the future, both for Europe and for us.

"One of the things we have got to do is to take a more venturesome stand on production inside Europe, and the time to begin is now.

"Fine Dyestuffs and Chemicals has at present a firm outlet for 5 tons a year of Uvinuls (400 and 490) if they can get them without paying in dollars, and if there is a secure European source for these materials. Phillips would prefer to make these Uvinuls in England or have us make them there, but manufacture elsewhere in Europe - in France, for instance, would be a satisfactory arrangement so far as Phillips is concerned.

"I'll talk to Nick Salkin about this next week when I get to Paris, and it may be that I can arrange a meeting on the Continent between Phillips and Salkin.

"As soon as you can hammer out a decision and not later than 2 weeks from now, earlier if possible, please let me know:

- 'a) Whether we should license Phillips as well as Salkin to produce Uvinuls, and if so on what terms.
- "b) If there is some good reason against a), what is it, and should we under this circumstance incorporate in the Salkin set-up the requirement of England and on what basis?

"I know all the arguments against this proposal. I have heard them before in regard to a license for Fine Dyestuffs, England, as to Sarcosine for Gardol and as to Optical White for Fine Dyestuffs, India. We turned down both of these proposals.

"What has happened?

"Without our help and without license payments to us, Phillips is making his own Sarcosine and selling large quantities to Colgate in England. He makes it cheaper than we do; at least he sells it cheaper. In consequence Colgate is dickering with him now to sell Colgate, U. S., some of its requirements in Sarcosine. It would certainly be a fine comment on our bright minds if Phillips took our business in Sarcosine with Colgate away from us.

"The same thing has happened in India with Optical White. They are making a good product and sales are growing. They have recently concluded an agreement with Bayer to supply their requirements in India. They bought the know-how from somebody else, and are getting along very well. 'Very well, indeed, John, and no thanks to General Aniline,' Phillips told me the other night, and Premchand shook his head in complete agreement.

"Please, Frank, get me some fast answers."

I had another discussion with Phillips and Premchand about deploying some of our dyestuff equipment to India, and I was promised that we would get a proposal from Premchand soon after he returned to India (late in July).

c. Ste. Franco-Americaine de Colorants

Maimin had three proposals which I promised to consider:

- 1) a long-term credit arrangement with the French Government, which appears not to be feasible,

- 2) a program to buy some of our intermediates from Francolor, which has great advantages for GAF, and which should be pursued with vigor, and
- 3) the manufacture of dyestuffs in France in conjunction with Francolor, which I have asked Dr. Moessinger to discuss with Francolor on a preliminary basis.

d. Ansco - France

We still have trouble getting prompt shipments of Ansco orders. Remembering the situation a year ago, I asked Turgel how matters were now. His answer was: "Better." But the situation is not yet satisfactory, because I wrang from him the information that a 5-plus thousand dollar order that he placed on January 31st was shipped on April 12th. I should like to know why.

There seems to be a dispute in progress as to whether Turgel is the Ansco distributor for the Republic of France or for the French Union. I do not know which it is and I don't care much, but I care very much about the rude letter which was received by Turgel on this subject. I do not know what measures I shall have to take to stop this sort of thing, but whatever they are, I am prepared to take them.

e. Dr. Rath

Dr. Rath had a suggestion which made considerable sense to me. We have been reluctant heretofore to deal in the United States with small chemical companies, such as Verona and Nova, who were distributors of German products in the United States. This reluctance, it seems to Rath, was justifiable in earlier days, but he points out that the situation has changed in the last year. These and other companies have now been purchased outright by the Germans and gives them quite a different status. Rath is of the opinion that we will have greater success in making German specialties available to GDC if we can overcome our reluctance to deal with subsidiaries of the German companies in the United States, like Verona and Nova. I should like to discuss this suggestion with Mr. Dinkins.

f. Hoechst

I had a long and friendly meeting with Prof. Dr. Winnacker and Dr. Weil. The principal topic of our conversation was naturally the progress that our two companies have been making in putting together a satisfactory joint research program in dyestuffs. I found both Drs. Winnacker and Weil extremely interested in this venture. I had the impression that they were just as eager for it as I am and just as impatient as I am about the slow progress we are making. Dr. Weil thought that the delays were not attributable to any reluctance on the part of the negotiators on either side but rather to the difficulty

of finding a fertile field on which to consolidate our efforts. Dr. Weil made a suggestion that appealed to everyone present at the conference. He pointed out that one area today where no spectacular or satisfactory progress has been made is in dyeing synthetic fibers. All that has been done so far, according to Weil, is to adapt to the dyeing of synthetic fibers, dyestuffs which were invented for application to cotton and wool fibers. This has achieved, Dr. Weil thinks, just what you might expect it would -- rather mediocre results. The firm or firms, Weil thinks, who can come forth with a dye that was conceived basically for the purpose of dyeing synthetic fibers, will have a fortune in its hands. He proposed that we agree to pool our resources toward this worthy objective. While we were there, he charged the head of his dyestuff division to prepare a specific proposal to us in tentative form to carry out such a joint venture, and we should be hearing from Dr. Weil or Dr. Winnacker before too long in this vein.

It was the consensus of all those present that what our venture really needed was some dynamic starting point, and it may be that from Dr. Weil's fertile mind we have gotten just that.

I also had a fruitful discussion with Mr. Peter Pазze. Not only was the discussion fruitful but, for the first time in my long association with this gentleman, a pleasant one. He had nothing caustic or critical to say about us. In fact, he was lavish in his praise of Mr. Neisser. It gives me great pleasure to report this fact and to congratulate and thank Mr. Neisser for his remarkable and important accomplishments with our irascible German friend.

g. International Media Company

I spent an afternoon at Darmstadt with our new Ansco distributor, getting acquainted with Mr. Melahn and his associates. Mr. Biancone was in America at the time, so I did not meet him.

I was very much impressed with the facilities, including the laboratory, of our new German distributor, and I was particularly pleased with the caliber of the people who own and administer this organization. I feel sure that we are going to be well represented in Germany in our first post-war venture in that country. From what Mr. Melahn told me, and from the sales which have already been achieved in Germany since the first of January, I feel sure that Agfa and Kodak are already acquainted with the fact that we have entered the German market in a serious and effective way.

Of course, our German distributors are not concerned, as are Ansco France and our Italian distributor, with the availability of dollars. However, the price of our film is and will continue to be a serious handicap until we begin coating film in Europe. This situation was thoroughly discussed. Melahn believes, and I agree, that we should

make a beginning in something that we have discussed for years, and that is to start a film finishing project in Europe. If that decision is taken by us, International Media wishes to make a bid for the job. From what I saw of them, I think they would do it well.

h. Kalle

I spent one afternoon at Wiesbaden. I was cordially received by Dr. Strank, Dr. Neugebauer and a half dozen others. After exchanging compliments about how well each of our two companies is doing in the coated paper business in Europe, we got down to the business of discussing areas in which we might be of assistance to one another. I got the following reactions from our discussion:

- 1) Kalle has respect for our products and for our ability to market them.
- 2) They are surprised -- I might say amazed -- at the success we have in selling to the European customer machines that were designed exclusively for the U. S. market. Their feeling is that our horizons are to a very large degree limited because of this fact, despite our present, though temporary (in their opinion), success in selling our machines to Europeans. Strank said to me that everybody in Wiesbaden agrees that our machines are the best in the world but, like the Cadillac automobile, that doesn't make them the most suitable machines for the European market. For this reason alone, though they may have other reasons, here is one company in Europe that is not interested in joining with us in the manufacture of our machines for the European or foreign markets.
- 3) If we were to design new machines especially for a market which is more interested in price than in quality or longevity, they might feel differently, Strank felt.

I have the impression that the management of Kalle has no burning passion to cooperate with us in any particular. I noticed in Wiesbaden a feeling of self-sufficiency which I have at times detected in some areas of GAF. Kalle is wholly owned by Hoechst and I am sure that the top management of Hoechst does not share Wiesbaden's complacent attitude. If there is some way in which Ozalid can be benefited by cooperation with Kalle, I feel sure that it will be possible to achieve this cooperation without too much difficulty or delay.

i. AGFA

Dr. Kremp and Dr. Lingg discussed with me our affairs with Agfa. I saw for the first time the prototype of the new Ansco Memar. It is a camera of excellent appearance; in fact, it is one of the best-looking

cameras I have ever seen. We have up to this point, in my opinion, achieved an excellent result, though I am sorry to have to express the opinion that much too much time has been taken in getting there, very largely through delays and unnecessary hesitations on our part. I hope that henceforth we may be able to proceed with greater assurance and speed.

Since this is the first camera that Agfa has produced in the seven years of our mutual association exclusively for Ansco, it is a product that can be made available to our foreign distributors. This of course will be a great boon to Ansco's foreign business, which is just one other reason why every step should be taken to hasten and facilitate the availability of these cameras.

I was especially impressed with the versatility of the new camera. Into it can be incorporated at our will nearly every modern device of modern amateur photography.

While for the first time we are getting a camera made exclusively for us, we must come to grips with the less pleasant aspects and obligations of this situation. Our attitude toward Agfa of bygone days in which we could order such cameras as the whim of the moment dictated and then later amend these orders to correspond with our sales accomplishments, has come to an end. If Agfa is to tool up to produce a camera for us, we must of necessity give to them fixed and irrevocable requirements.

In July, Agfa will send to us a prototype of the new Ansco Memar and Dr. Kremp himself will come to the U. S. in September to discuss the matter. By the time he arrives, we must be in a position to tell him definitely and finally just what changes we wish him to make in the camera and be prepared to send him back to Munich with our firm and final recommendations.

At the beginning of Dr. Kremp's visit to the U. S. I wish to have here in New York a preliminary meeting with Dr. Eckler and Dr. Kremp.

j. Farben-Kontor

Mr. Benesch came to Salzburg from Vienna to join in talks with Mr. Rybczuk and me. Principally we discussed the following items:

1) Technical Assistance

They need the help occasionally of technicians in both the dye-stuff and Antara fields. As a matter of fact, this is their most important requirement, as it is with every other GDC distributor. If in any case I have failed to mention this fact, it isn't

because the distributor didn't make an important issue of it. Here I should like to mention again something I have said many times before. Our best foreign operation today is conducted by Ozalid, just as eight years ago it had the worst foreign operation in the company. The only important change that Ozalid has made in the intervening years is to provide technical assistance to its foreign distributors on a regular and systematic basis. Its great success has depended almost exclusively on this one item. I should add that it was not an easy matter to get Ozalid to agree to furnish this technical service. As I remember, it took me nearly three years to get Fredericks on a ship bound for Europe. The reluctance of Ozalid to agree was the expense involved in sending a qualified technician to Europe for a period of three or four months. I don't suppose Ozalid will be too appreciative of my calling their attention to their hesitancy seven or eight years ago, and the interminable delay which this cautious attitude produced, but I am quite sure that everyone there today will agree with me that Ozalid has made no better investment in the last five years than the technical assistance it has given its foreign distributors.

We are now, I am happy to say, providing technical assistance in all the divisions but we are not in all of them doing it on a regular and systematic basis. I am insisting now that all technical assistance be put on the same regular schedule that has been in operation in the Ozalid Division for some time and which has paid such handsome dividends.

- 2) Benesch is interested in getting his credit extended to 60 or 90 days and I should like the credit people to give serious consideration to this request. It seems to me that Farben-Kontor has established itself in our books as a reliable and dependable business organization.
- 3) Benesch reported to me that we have a ground rule in the company that prevents us from putting mixtures into our stockpiles. I wonder why this is. Our disinclination to place mixtures in the Salzburg stockpile is a serious handicap to Farben-Kontor. Benesch told me that if I could get this rule changed he would be glad to assume absolute and irrevocable responsibility for all mixtures that were consigned to our Austrian stockpile. I should like to be informed on this point.

k. AAKO

Mr. van Oordt and his son came from Amsterdam to spend the day with me at Salzburg. There were several items they were anxious to discuss:

- 1) van Oordt was unhappy about the way in which he had been treated in regard to the commission he receives on some Antara products.

His contract with us states that his commission on sales will be 10%. With respect to Antara products, Paul Hand some years ago negotiated with Mr. van Oordt a reduction of his commission on Antara products to 5%. Hand convinced van Oordt that this was in his interest as well as ours, and van Oordt agreed.

More recently, within the last few months, the company has attempted to get Mr. van Oordt to accept an additional reduction in his commission from 5% to 2½%, on the theory that this reduced commission, with the consequent reduction in the price of Antara products, would open the market in his territories, particularly with Lever, to much more business for him and for us. Mr. van Oordt has conscientious doubts about this assumption. In any case, he would not agree to a reduction in his commission rate unless it were rather clearly demonstrated to him that this change would result in an increase in the total dollar amount of his commissions. To me, Mr. van Oordt's position seems entirely reasonable. I haven't pinned van Oordt down on this point, but I am quite sure that if a reduction in his commission rate had the effect of increasing his total dollar compensation, we would not have too much trouble in negotiating such an arrangement with him. Be that as it may, he has not up to this point been convinced, and consequently has not agreed to accept a reduced rate of compensation. In spite of his attitude, he has received a letter in which he was informed that management of GAF had decided on its own to abrogate our contract with him and to reduce his commission to 2½% on Antara sales.

I shall make no comment on Mr. van Oordt's attitude toward the treatment he has gotten except to report that he is bitterly and deeply resentful.

I should like to have Mr. Gibbons thoroughly investigate this situation and make an appropriate recommendation to me as to how we should proceed in straightening out the serious difficulty we are in with our estimable associate in Holland.

- 2) For some time Mr. van Oordt's organization has been selling printing inks which he procures from Aula Colors. The contact with Aula was originally made for Mr. van Oordt through us. He is presently doing a brisk business in these materials and has developed a sizable number of satisfied customers. Recently Aula was acquired by Geigy. He is now under pressure from us to break off his relationship with Aula and transfer his business to another American company to be designated by us. If my information is correct, if we want Mr. van Oordt to make this change at once, which is what he understands us to want, I take our position to be an unreasonable one. If it is done at all it is going to have to be a long-term project.

- 3) We are also objecting to van Oordt purchasing Superlens and Metalens from GASSA. I am wondering why we object to this. I should like to be informed.

1. ELFA

I saw Mr. Herzog while I was in Switzerland. Like everyone else, he emphasized the need for technical literature and technical assistance. I am happy to say that Elfa is better satisfied with the assistance we are giving him than he was a year ago but he would be happier, and so would I, if our technical assistance were on a regular and orderly basis.

Mr. Herzog has heard that we are interested in making Ozalid machines in Europe and volunteered the opinion that Austria today is the best area in Europe in which to begin a machine production program. It has excellent engineers, an ample supply of good technicians and a soft currency. In view of the fact that Mr. Herzog is high up among the European officials of IBM, his judgment in this matter should carry considerable weight with us.

m. International Verkaufs Organization

Pollak repeated the request of other distributors about technical assistance. His exact words were that he "would like to be given the same assistance that the Ozalid members of the GAF family are receiving." I am sure he adopted these words as the result of talks he had had with Max Frey.

He would be a lot happier, he told me, about his association with General Aniline, if we would answer his letters.

He pointed out to me that the U. S. has given Poland a grant-in-aid amounting to 100 million dollars. I knew about this grant. I also knew that it had been given to the Poles for the purpose of buying food and a few other basic and essential consumer products, included in which was no mention of dyestuffs. When I imparted this information to Pollak he agreed, but assured me that ways would be found of utilizing some portion of these moneys for the purchase of products closely allied to but not included within the terms of the grant. My reply to Pollak was short and uncomplicated. I informed our good friend that regardless of the terms of the grant, General Aniline products would not be sold to the Polish Government or to any of its people.

This seems a good point at which to remind everyone in Foreign Operations to pursue with initiative and zeal our policy that none of the products of this company under any circumstances shall be sold directly or indirectly to anyone behind the Iron Curtain.

n. Cinegram Societe Anonyme

Mr. Masset brought up the following points with me:

- 1) In order to increase our sales in the Post Exchanges, we have introduced into the PX's a special PI film, which means that the processing is included in the price the soldier pays. As an evidence of this fact, a label is included with the film. On the label is the statement that the processing has already been paid for. The soldier is asked to enclose this label with his film when he turns it in for processing. I will not comment here on what I think about this procedure because that is somewhat irrelevant. The point is that when the soldier has exposed our film and takes it to the Post Exchange for processing, as often as not the label is not enclosed because the soldier has lost the label. This of course was a foregone conclusion.

The Post Exchange, at our request, then sends this film to Masset for processing. Mr. Masset processes and returns the film to the Post Exchange. He keeps all the labels he gets, which cover from 50 to 70% of the film he receives and processes. He then bills Ansco, as he should, for the cost of processing the film that he has received, enclosing with his invoice what labels he has. A great furor has thereby been precipitated in Binghamton, the purpose of which seems to be to reimburse Mr. Masset for the labels he submits and not for the film he has processed.

I should like Ansco to inform me what it wants Mr. Masset to do. Does it want him to charge the soldier who has lost the label a second time for processing? I doubt this, because such an action would develop a hue and cry at the Post Exchange Service which would make Masset's bellow sound like the chirp of a young robin, and it certainly would be disastrous to our reputation and business in the Post Exchanges. However, what I am interested to know is what does Ansco want Masset to do, and why do we get into such a turmoil with a distributor over an issue which is certainly 100% our fault and over which Masset has no control whatever.

It has occurred to me that the suspicion may have entered Ansco's mind that the men of our overseas garrisons are purchasing Ansco film outside of the PX's (with no PI included) and that after exposing this film they are dropping it into the hoppers inside the PX's, of course without a label. If they have lowered this smoke screen on Masset to give them time to investigate this revolting possibility, they can save their time and money. I can assure them that our gallant troops abroad are engaging in this practice in large numbers and with great glee. Anyone who doubts my conclusion need only look at the

record of what our enterprising GI's did with invasion currency after the last war. It cost the American taxpayers 250 million dollars.

- 2) Against the day when we will have 16mm film and later 8mm film to sell in the European market, Masset feels that Ansco should now give some thought to the designation of a single laboratory in Europe to process this film. I think he is probably right. I doubt if in the foreseeable future there will be sufficient sales of motion picture film to warrant more than one laboratory.
- 3) As part of the meeting of Ansco European distributors for which Masset has been plugging for a long time, there should be a discussion of Ansco's program of foreign advertising. Masset believes that better results could be gotten with the same amount of money if prior consultation were held with our distributors. He mentioned our advertisement in the international issue of LIFE. This magazine, he pointed out, is read almost exclusively by Englishmen, in whose country we have no Ansco business, and by Americans residing or visiting on the Continent, who do not constitute an important group of customers for our Ansco distributors.

o. Silvers

Mr. Silvers came to see me in Bern. The main items in our discussion have been reported separately by Dr. Moessinger and I shall therefore not repeat them here.

During our talk, at which Dr. Moessinger was present, I was surprised to hear that Dr. Moessinger had not been informed about our negotiations with Mr. Ryan in Milan and I was shocked to learn that the letter I received from Dr. Baslini nearly a year ago has not yet been answered.

p. Anilitalia

If we have trouble with Dr. Saronio occasionally, the reverse is also true. When I complained to Dr. Saronio that we weren't happy about the amount of our products that he was selling in Italy, he cited two experiences he has had with us in recent months which he feels had some adverse effect on his zeal:

- 1) On April 11, CASSA placed an order for 9 or 10 dyestuffs. There ensued some discussion of this order but it was finally confirmed by Cassa on May 20. On July 12, the day of my meeting with Dr. Saronio, he had not been informed whether the order had been accepted or when he might expect it to be filled.
- 2) In June, Dr. Saronio asked if we could supply one of his customers with 300 kilograms of Fenanthren Olive T Infra

at a price of \$3.05. We replied that we would accept the price of \$3.05 if the customer agreed to order 400 kilograms. The customer accepted the additional quantity, and Dr. Saronio instructed GDC to send the 400 kilograms. To this request Saronio was advised that GDC only had 80 kilograms, at which juncture the customer asked Saronio to have the 80 kilograms shipped, provided the remainder would follow in 10 days. On July 10, Saronio got the following cable from GDC:

"Sorry Olive T Infra not available. We will ship 100 kilograms end of July, 200 middle of August."

Dr. Saronio made the suggestion that our relationship would be immeasurably improved if there was one man in the Foreign Operation who was responsible for handling the business of Anilitalia in New York. It would be desirable if this person spoke French. I agree with Dr. Saronio. I want this done as soon as we can find the man.

Our discussions on the immediate and distant future of Anilitalia are being reported separately by Dr. Moessinger. A suitable distribution of his memorandum will be made when I get it.

q. Dr. Moessinger was present with me during many of my discussions with our associates abroad and he is preparing reports on these conferences. I shall send them as they come in to the General Manager, Foreign Operations, for necessary distribution and appropriate action. They should be acted upon as though they were component parts of this memorandum.

r. The Marri Brothers have been worried for some time about a competitor who appears to the Marris to be infringing a Johnson City patent. Earlier this year Marri was finally informed that while we had filed an application for this patent in Italy, the patent had not yet been issued. Until it was issued, we informed him, we could take no legal action and could not authorize the Marris to do so.

On his next trip to Rome "Pepi" inquired from the Patent Office when we might expect our patent application to be acted upon and was informed that the patent had been granted two years ago.

This information was immediately reported to Dr. Moessinger who passed it on to New York. In response Moessinger was informed that it was not the policy of the company to get involved in patent discussions with our distributors and that he should use his good offices to divert Marri's attention from this and other patent questions.

I am mystified. I know that we very sensibly take a firm stand about not conveying automatically to our distributors new products and patent protection covering products which are developed after our agreements with them are signed. But I do not understand why we should hesitate to give a distributor every bit of assistance we can under patents we hold covering products which we have authorized him to make or sell.

There must be something about this situation that Marri and Moessinger do not understand. What is it?

14. I wish to remind everyone to whom this memorandum is addressed that this is not a report of an investigation. It is merely an account of statements I received from our officials, associates and customers in Europe. As to Section III, I am sure that inaccuracies and exaggerations are present, and where they exist I welcome corrections.

On the other hand, the sum total of the information I assemble on one of these trips creates an impression which is probably quite accurate, and it is on these impressions that I shall comment in my conclusions.

IV. CONCLUSIONS

15. Interspersed in the preceding sections of the report are several conclusions and recommendations upon which I shall not elaborate further. My failure to include them again here should not detract from their significance or validity.

16. Manufacture in Europe is the pressing problem of the immediate and near future. Without any thought of the Common Market the making of Ozalid machines in Europe is an urgent necessity. We should have therefore little trouble and tolerate little delay in getting this project under way. At the other end of the spectrum is dyestuff manufacture. Obviously there is no intention on my part to advocate the expenditure of any of the company's funds to build additional dyestuff capacity in Europe or anywhere else. But many companies in Europe like most companies here are bedeviled with idle capacity, and it is out of this predicament that we should find an avenue for discussion and understanding, and a reasonable opportunity for gaining a foothold in dyestuff manufacture in Europe. The deployment of some of our own equipment to India or to some other populous and nationalistic democracy might provide the double-barreled objective of improving our economics here at home and of giving us a participation in a foreign production facility. Between these two extremes lie other manufacturing projects which deserve our early attention, such as film finishing and later on film coating, and the production of Antara specialties.

I should like the Foreign Department to prepare a plan for the consideration of top management and the Board on which a program of foreign manufacture can be based and executed. Naturally, the plan should be worked out in cooperation with the manufacturing divisions. In preparing the plan, thought should be given to the habits of the past which have hampered our expansion abroad and to limitations which at least for the present prevent elaborate or expensive ventures. I refer to:

- a. Our Present Situation in Capital Funds. Heretofore, regardless of our financial position we have undertaken such affiliations abroad as could be managed without any investment on the part of GAP. Our two foreign affiliates (CDCL-Canada and Anilitalia-Italy) have brought the company nearly two million dollars in assets and dollar returns

without the investment of a dollar by us. We are about to consummate a similar arrangement in France. I have no argument with such deals. However, they are hard to find, and in the usual case will not be productive of dynamic results. We should forsake the attitude of mind that this company is limited in its expansion abroad to ventures of this sort. We should be prepared to invest our money, like anyone else, where the prospect of large returns is indicated and the risks are reasonably small. In the beginning we should seek alliances where a combination of our know-how and a token investment will gain us a foothold abroad, particularly in Europe. There are fifty opportunities like this for every CDCL and Anilitalia.

Also, we should plan now for more ambitious projects - down the road.

b. Be Decisive and Venturesome.

There is a tendency in the company, though less pronounced than ten years ago, to look upon manufacturing ventures outside the United States as foreign to the company's interests and fraught with enormous risks. And I am afraid some feeling persists that everything about the foreign business, export, import and manufacturing, is a nuisance. Despite these attitudes, which have constituted no inconsiderable handicap, I should like to point out to management that we have built an important foreign business and a growing one, of a magnitude right now of about \$15,000,000.

What our foreign business needs now more than anything else is the elimination of these fears and this lassitude. We need the same sort of confidence and boldness that characterizes our domestic undertakings. We need to be venturesome and enterprising and decisive.

Our reticence is apparent in one way it seems to me in judging what know-how we can safely convey even to old and trusted distributors. We have declined on more than one occasion to assist Phillips in England, and he has promptly gotten the know-how from someone else. In these instances certainly what he wanted was neither scarce nor precious.

17. As I said in the body of my report, we are confronted in our foreign sales primarily with a battle against time and space. I have reported heretofore on the numerous and long delays our distributors encounter in getting their orders filled, after the order is accepted. This condition persists year after year.

In my travels this year I have again encountered far too many of these cases. In place after place I have been shown instances where an exchange of cables between the distributor and the export manager have promptly settled the conditions of the sale, without stated reservations. Then there has ensued without warning to the distributor an interminable delay in shipping the order.

I do not blame the export managers for these delays. I feel sure that if they had been informed that a long delay was involved they would have warned our distributors or our customers. But somewhere in our channels for handling orders something is very wrong, and I should like the executive vice president to investigate these channels to find out what the trouble is.

18. Finally, just one word about punctuality and courtesy. We are going to be prompt in handling the affairs of our distributors and we are going to be polite about it.

FOOTNOTE

No report on Europe in 1957 would be complete without a few words about the heat wave, a phenomenon (for Europe) of paralyzing intensity, which gripped the continent for three weeks.

The Paris edition of the Herald-Tribune reported that it was the worst heat wave in eighty years. Another paper I saw said sixty years, but they all agreed that it was the worst siege of heat Europe has endured in this century. The heat was bad enough, but that is not the worst part of a heat wave in Europe. What really makes the event dreadful is the consternation it produces.

A heat wave in Europe is much the same in reverse, as a blizzard in Washington, D. C. In Europe everyone (architects, designers of clothes and transportation, philosophers and politicians) coordinate their efforts to protect people against the cold and that is never so well demonstrated as when the temperature reaches 100 degrees.

On those very rare occasions when a first-class snowstorm descends on Washington a similar consternation is produced, although it expresses itself differently. No one has galoshes or tire chains, and the city has no equipment and no organization for clearing the streets. Consequently nearly everyone stays home until the snow melts.

When a heat wave hits Europe, everyone leaves home. People go somewhere else, to another town or to another country. The fact that it is just as hot or hotter at their destination is beside the point.

The Paris-Frankfurt train on Monday, June 24, illustrates the situation rather well. By the time the train departed from Gare de l'Est the passengers no longer had the problem of finding a seat. The issue was to locate a car with standing room. There were probably three times as many passengers on the train as there were seats.

Nobody seemed to have a ticket. I commented on this to another passenger, saying that this seemed to be for most of the passengers a rather precipitate departure. He disagreed. He thought that the reason they hadn't bought tickets was because the ticket sellers had joined the refugees on the train.

In hot weather trains travel late. Heat has another peculiar effect on Europeans. It gives them an insatiable appetite for food and drink. Every time the train stopped, nearly everyone got off, and refused to reboard the train until he had a hard roll in one hand and a bottle of some liquid in the other. The train crew and the station masters were frantic but helpless. The only water on a French train is put there for the purpose of flushing the toilets and there seems to be no acceptable way of getting any of this water into a cup or a bottle. There is therefore some excuse for leaving the train occasionally in search of fluids.

When the train stops it becomes a suffocating steam bath, and when it moves it changes into a tornado of hot wind and coal soot. As the day progresses, the passengers assume a dark hue, a malodorous scent and an irritable volubility. This may not be panic but it is certainly pandemonium.

I think I have put my finger on what it is that produces these queer reactions. I think it is perspiration. I am convinced that the presence of perspiration on the person of a European is to him an alarming development. When I left home, a business associate of ours in Switzerland had just reached New York with his wife and daughter to spend the summer in America. It soon turned hot, and after a week he and his wife decided to return to Zurich to cool off. Of course, it was several degrees hotter in Zurich than in New York, so he and his wife took off immediately for Flims, near St. Moritz, high up on the side of a mountain. It was from Flims that my friend called me on the phone when I got to Bern.

Naturally I asked him if it was cool in Flims.

"No," he replied. "It is nearly as hot as Zurich. We are not high enough up on the mountain."

"Can you get any higher up?" I asked him.

He laughed and replied: "No, not unless you are a mountain climber."

I am not sure that he scaled the mountain, but being a European in a state of perspiration I am confident that he gave it serious consideration.